

# Financing Transit-Oriented Development in the San Francisco Bay Area

## Policy Options and Strategies

Prepared for:



METROPOLITAN  
TRANSPORTATION  
COMMISSION

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# Executive Summary

Since its inception in 1997, MTC's TLC Program has achieved tangible transportation improvements that support regional livability in the Bay Area. The recent evaluation of the TLC program recommended "continuing to strengthen the land use connection within the TLC Program" by supporting transit-oriented development (TOD) and infill projects. TOD and infill are both critical to the continued healthy growth of the Bay Area, by reducing Vehicle Miles of Travel (VMT), reducing the combined costs of housing and transportation, and making more efficient use of transportation infrastructure.

There are, however, real challenges to TOD and infill development. Even after station area or downtown plans are adopted, TOD and infill development projects still face significant financial and regulatory barriers that impede construction. The financial barriers include higher land costs around transit stations, infrastructure upgrades needed to support increased density, the need to assemble small parcels of land to reach a critical mass, and the need to replace existing surface parking reservoirs with structured parking. Project implementation is often delayed because these barriers cannot easily be addressed through traditional funding and financing mechanisms available to local jurisdictions and developers.

MTC commissioned Strategic Economics and the Center for Transit-Oriented Development to explore various options for establishing a more flexible funding mechanism that includes the core strengths of the existing TLC Program, but does more to facilitate actual development. The intention of an expanded TLC Program would be to respond to changing regional demographics, provide needed affordable and accessible housing, reduce greenhouse gas emissions, and create local centers for community, through a collaborative program working together with regional and local agencies.

## KEY FINDINGS

This White Paper has produced several key findings, including:

- There are many potential program approaches (outlined in the table on page 5) that would support TOD and infill implementation in the region, and there are some key questions that will help determine which approach or approaches are most appropriate for the Bay Area.
- Portland METRO and the Met Council in the Twin Cities both have successful model programs that address TOD and infill funding needs in different ways. Both incorporate involvement from a broad base of stakeholders coupled with professional expertise in evaluating grant proposals.
- There are critical funding needs in both urban and suburban communities, but the tools to overcome specific barriers may be different. Funding through the program should thus be flexible to respond to local needs and communities with different market dynamics.
- The stated goals of an expanded TLC Program will need to be linked to evaluation

criteria that explicitly assess the ability of projects to address these goals.

- There are still issues that must be addressed and resolved in the design of an expanded TLC Program, including the source of funds, the eligibility of projects as well as their size and location, and how TLC Program funding can be used to augment existing and future local funding sources, rather than replace them.



*Fruitvale Transit Village, Oakland*

## KEY RECOMMENDATIONS

This White Paper recommends several key actions to enhance the TLC Program:

- Create a flexible TOD financing program that responds to different market conditions within the region and provides funding for a range of uses that help achieve regional goals for livability, efficient transportation, and improved environmental quality.
- Create a hybrid structure with both grant and loan funding.
- Identify local or regional funding sources so that the program can be more flexible than if it were to rely solely on federal funding.
- Create a transparent evaluation system that builds on the current TLC/HIP evaluation system.
- Clearly define eligible uses and expectations.
- Establish minimum thresholds for funding allocation, as well as utilizing a more detailed evaluation of outcomes.

- Cap individual project awards but allow projects to receive funding in multiple years.
- Do not cap awards for geographic subareas.
- Continue to implement a regular funding cycle, ideally on an annual, or even semi-annual basis.



*Downtown Hayward BART  
Photo: MTC*

## WHITE PAPER OUTLINE

The findings and recommendations in this report are intended to aid MTC staff and commissioners, as well as the Association of Bay Area Governments (ABAG) and other interested stakeholders in the consideration of additional approaches and strategies that could provide direct support for specific projects that further regional goals for transportation and land use over and above what the TLC Program is currently able to provide.

This White Paper has three parts:

- A definition of the funding needs and the barriers to infill and transit-oriented development in the Bay Area with several case studies of ongoing development projects in the region;
- A review of existing similar programs implemented by other regional planning agencies to understand lessons learned and potential options for structuring such a program; and
- An evaluation of the potential effectiveness and possible challenges of different approaches for MTC and ABAG to support transit-oriented development and infill development projects taking into account the Bay Area regional planning and development context.



Table 1: Direct Investment Program Approach Comparison

Use of Funds	1. Capital Improvements Adjacent to TOD	2. Parking Management Strategies	3. Direct Financing of TOD and Infill Projects	4. Land Assembly and Site Acquisition	5. Affordability and Accessibility
<b>Description</b>	Funding for off-site or adjacent capital improvements (such as streetscapes, bicycle and pedestrian facilities, transit station access routes) and/or public utility and infrastructure upgrades (such as storm water, sewer, or gas/electric).	Financing for neighborhood parking strategies (e.g. carsharing or transit passes) that would allow for development to proceed with lower parking requirements elsewhere in the community or could provide replacement parking for parking lost through Joint Development	Funding for infrastructure-related portions of a development (e.g. storm water, sewer, or utility upgrades) or financing of costs as a result of density increases.	Financing for land assembly and entitlement of development projects with medium-term horizon (5-10 years).	Paying for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities)
<b>Funding Approach</b>	➤ Grant to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant to local jurisdiction (and/or developer)
<b>Case Study Examples</b>	➤ MTC TLC Program ➤ Met Council LCDA	➤ Met Council LCDA ➤ Redevelopment Agencies	➤ Portland METRO ➤ Met Council LCDA	➤ NCTCOG Landbanking Program ➤ Met Council LCDA	➤ Redevelopment Agencies ➤ State programs (HCD)
<b>Potential Benefits</b>	➤ Similar to existing TLC program, but expanded to allow funds to be used on non-transportation infrastructure ➤ Helps “seed” TOD in older areas with infrastructure constraints	➤ Facilitates district-wide planning and implementation by creating shared pool of parking and managing it efficiently.	➤ Facilitates development by addressing added costs of developing in TOD and infill areas ➤ Helps projects that are almost feasible become feasible or increases development feasibility at critical TOD sites	➤ Prevents non-TOD development on key sites ➤ Reduces holding costs for site acquisition and assembly ➤ Can be used to encourage timely entitlement of projects	➤ Increases production of affordable and accessible units.
<b>Potential Questions</b>	➤ Is expanded TLC program sufficient to meet regional needs? ➤ Will funding be sufficient to address local needs?	➤ How do you ensure projects meet goals? ➤ Should parking be required to provide return to MTC if priced and managed well?	➤ Are strict criteria/ review needed to maximize public benefit?	➤ Can this type of funding source be patient enough to see results?	➤ Better to pursue statewide approach? ➤ Are there other funding sources for this purpose?
<b>Program Scale</b>	➤ Low to moderate cost ➤ Low to moderate impact	➤ Low to moderate cost ➤ Low to moderate impact	➤ Moderate to high cost ➤ Moderate to high impact	➤ Moderate to high cost ➤ High impact	➤ Moderate to high cost ➤ Moderate impact

# 1 Barriers to TOD and Regional Funding Needs

## BUILDING ON THE TLC PROGRAM

The TLC Program has achieved tangible transportation improvements that support regional livability in the Bay Area and advanced MTC's policies encouraging land use intensification near transit. At the same time there are continuing regional imperatives that will be well served by expanding the pace and scale of infill and transit-oriented development (TOD), including:

- response to changing demographics (see Table 2);
- provision affordable and accessible housing (see Table 3);
- reduction of greenhouse gas emissions (see Figure 1); and
- enhancement of Priority Development Areas in the FOCUS program (see Figure 2)

The potential demand for housing near transit is projected to nearly double by 2030, based on the underlying demographics of the Bay Area. The demographic groups fueling this demand are older and younger households that are often smaller than average, and non-white and recent immigrant households—all groups that have all chosen to locate near transit in the past. This estimate is based purely on the demographic trends, and does not account for changing consumer preferences or other market forces.

Table 2: Demographic Trends in the Bay Area

Year	Households	TOD Households (1)	% Households in TOD
2000	2,466,020 (2)	409,497 (2)	16.6%
2030	3,177,440 (3)	832,418 (4)	26.2%
Change	+29%	+103%	+58%

Notes: (1) TOD Households refers to households living within 1/2-mile of rail stations.

(2) 2000 US Census and Center for TOD

(3) ABAG Projections 2007

(4) Center for TOD (2006) demand projection based on demographic trends and regional profile from 2000 US Census

Table 3: Projected TOD Demand by Income

Year	Less Than \$20,000	\$20,00 - \$49,999	\$50,000 - \$74,999	\$75,000 and greater	Total
2000 (1)	84,139	115,456	75,366	134,402	409,363
2030 (2)	181,288	240,841	149,611	260,680	832,418
Change	+115%	+109%	+99%	+94%	+103%

Notes: (1) 2000 US Census and Center for CTOD

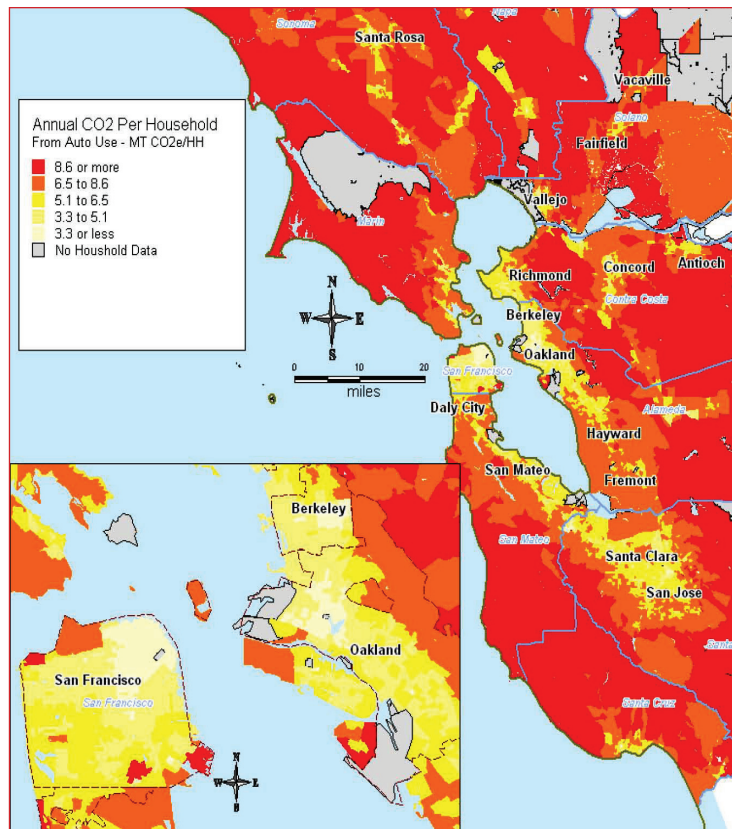
(2) Center for TOD (2006) demand projection for housing within 1/2-mile of rail stations based on demographic trends and regional profile from 2000 US Census.



Local governments in the Bay Area have expressed the need for funding that is more flexible than the current TLC program and is targeted specifically toward implementing development projects that take advantage of transit access. The recent evaluation of the TLC program recommended “continuing to strengthen the land use connection within the TLC Program” by supporting TOD and infill projects. TOD and infill are both critical to the continued healthy growth of the Bay Area, by reducing Vehicle Miles of Travel (VMT), reducing the combined costs of housing and transportation, and making more efficient use of transportation infrastructure.

**Figure 1: Household Greenhouse Gas Emissions in the Bay Area**

This map depicts household CO<sub>2</sub> emissions from automobile use only.



Source: Center for Neighborhood Technology, 2008

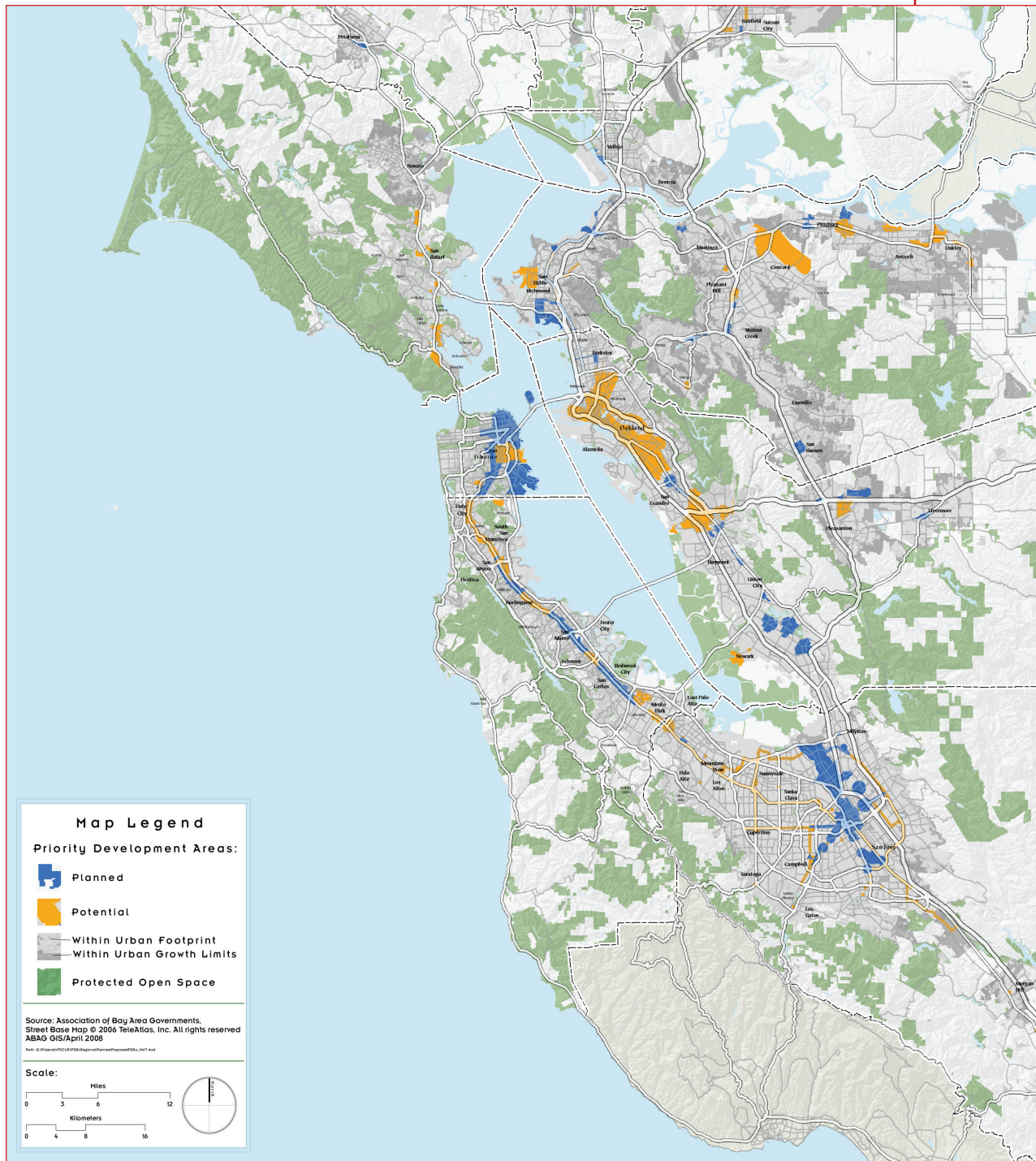
However, even with its considerable success, the TLC program, with its fixed two-year funding cycle and limited number of fundable projects and project types does not go far enough to meet the challenges Bay Area communities face as they try to intensify land uses near transit. After station area or downtown plans have been adopted, TOD and infill development projects still face significant financial and regulatory barriers that impede construction. The financial barriers include higher land costs around transit stations, infrastructure upgrades needed to support increased density, the need to assemble small parcels of land to reach

a critical mass, and the need to replace existing surface parking reservoirs with structured parking. The precise barriers are different in different parts of the region, but almost all TOD and infill projects face some combination of these challenges. Project implementation is often delayed because these barriers are not always addressed through traditional funding and financing mechanisms available to local jurisdictions and developers.

There are four initial considerations for how an expanded TLC Program would function, including:

- Addressing funding needs at the local level, including how the program would meet both fiscal and programmatic needs;
- Complementing the role of redevelopment agencies, cities, and developers, including what potential overlaps there might be;
- Responding to needs and market conditions throughout the regions, including when different approaches to funding may be necessary given the comparative strength of the local market; and
- Determining the proper role for regional agencies in funding TOD and infill.

Figure 2: Priority Development Areas and Transit-Oriented Development Areas



Source: MTC/ABAG, 2008



## THE NEED FOR LOCAL FUNDING ASSISTANCE

Despite the fact that many Bay Area communities have embraced the concept of “transit-oriented development” and have incorporated some language into their land use policies supporting dense development near transit, the reality is that there are significant financial barriers to actually implementing these policies. The challenges for TOD and infill include the need for infrastructure upgrades, high land costs, and complicated construction needs that all combine to exceed the revenues a project could earn. These issues are further exacerbated by swings in the real estate market that can vacillate between too strong and too weak without much in-between. In places where markets are strong, it is often easier to overcome these barriers, but in most places around the region, the market is often not quite capable of covering the increased costs associated with infill development and TOD.

### **San Leandro’s Downtown TOD Strategy: Planning for the Future**

The recently completed, MTC-funded San Leandro’s Downtown TOD Strategy planning study identified over \$140 million in needed improvements for their downtown. The plan identifies the opportunity for as many as 3,400 new housing units at up to 200 units per acre and represents a tremendous breakthrough for the city in terms of supporting TOD through policy changes. However, it will remain only a plan until significant financing can be secured for public improvements associated with the new development. Nearly \$80 million is needed for a variety of transportation improvements, in addition to substantial financial needs for housing and infrastructure projects. The city is working actively to attract both public and private funds to begin development in downtown consistent with the TOD Strategy.

As a result, communities often feel compelled to accept projects which do not maximize the use of critical sites near transit and the opportunity for TOD and infill that maximizes the potential at these essential locations and nurtures the broader community can be foreclosed by these types of decisions. At other times, communities know they need to take more proactive steps to facilitate development, beyond planning, but lack the resources to take the next step. Thus an expanded source of funding that could help local communities fill some of the funding and implementation gaps associated with infill development that meet regional objectives presents a major opportunity for the Bay Area to move closer to achieving its vision for a sustainable region, while seizing key opportunities that only come around once in a generation.

Local governments are facing a very complex dilemma in their efforts to implement TOD. On the one hand cities are often required to take a very proactive role in facilitating individual development projects that often include some type of revenue expenditure. Without these kinds of investments, major opportunity sites languish or are redeveloped with lower intensity uses that do not support transit ridership in either their use or design. On the other hand, these same cities are facing increasing revenue constraints. Beyond the current market crisis, which is also impacting property and sales tax revenues, most California cities are facing significant structural deficits due to revenue limitations imposed by Proposition 13 and cost increases related to salaries and pensions. Given this situation, a regional funding source dedicated to TOD implementation can have a rapid impact in helping cities move projects forward that also serve to advance regional goals for mobility, efficiency, and environmental quality.

There are many potential uses for direct financing that span a large range of potential uses of funding. Local jurisdictions and developers, both for and not-for-profit, around the Bay Area and regional developers have outlined financial needs associated with:

- Streetscape and off-site access improvements;
- District parking structures for replacement and/or shared parking;
- Incremental costs of off-street structured or underground parking for developments;
- Infrastructure upgrades (water/sewer, etc.);
- Affordable and mixed-income housing development;
- Costs associated with increased accessibility throughout multi-level construction;
- Commercial/mixed-use development (e.g. ground floor local-serving retail space in advance of market viability); and
- Land acquisition or parcel assembly and land banking.

## THE ROLE OF REDEVELOPMENT AGENCIES

Historically, cities in California have formed redevelopment agencies have used tax increment finance (TIF) to upgrade their infrastructure, assemble land, and attract new private development to “blighted” areas. Although this redevelopment process offers a very powerful potential funding source for TOD, there are three reasons why it is problematic to rely on redevelopment as the sole mechanism for overcoming the funding gaps associated with TOD:

- (1) The primary goal of redevelopment is to eliminate blight, but not all blighted areas are also served by fixed-guideway transit or high-frequency bus, so there is not always an overlap between redevelopment project areas and transit station areas. Many TOD and infill opportunities are located in more suburban locations, including the parking lots of transit stations in outlying counties, where redevelopment is not a policy option. Other redevelopment project areas are focused in older industrial districts or low-income neighborhoods that are only marginally served by regional transit systems.

### **Oakland’s Uptown Project: Opening Fall 2008**

The Uptown District in Oakland is in the midst of a renaissance built on the redevelopment of several blocks. The Uptown Apartments, currently under construction, will include 665 rental apartments. 133 units (20%) will be affordable to households earning under 50% of Area Median Income (AMI) with 33 units (5%) affordable to households earning up to 120% AMI. 9,000 square feet of retail along Telegraph Avenue and there will be a new 25,000 square foot public park. The Uptown Apartments project has received over \$54 million from the Oakland Redevelopment Agency and other City funding sources. These funds include assistance with site acquisition, property tax abatement, and hazardous materials abatement, as well as funding for off-site improvements and the public park.

Several more planned projects, including a 100% affordable, 80-unit apartment building and a high-rise apartment building will add to the neighborhood revitalization effort. New restaurants and small businesses are starting to flourish, and many adjacent property owners have begun to rehabilitate their buildings.

- (2) Even where station areas are in redevelopment project areas, the amount of projected tax increment that the project area is expected to generate often still falls short of the amount necessary to pay for all of the infrastructure and placemaking costs associated with TOD.
- (3) Many of the costs associated with TOD require “upfront” revenue expenditures. While redevelopment agencies can issue bonds against future revenues, bonding creates pressure to develop land uses that are not transit supportive due to demand to generate revenues in redevelopment areas. Therefore, there may be a timing mismatch between a city’s revenue needs associated with TOD and the timeframe in which tax increment revenues would be available for use.

Despite these shortcomings, redevelopment funding remain an essential tool in the implementation of TOD and infill projects that meet regional goals. Rather than consider an expanded TLC Program as some form of substitute for redevelopment, the program should be considered as a way to augment the role of redevelopment agencies where there is a spatial, revenue, or timing mismatch between redevelopment areas and TOD and infill development visions.

## THE ROLE OF THE MARKET AND PRIVATE DEVELOPERS

In some circumstances, developers can afford to pay for all of the higher costs associated with TOD up front due to the higher profits they make by building a project in a location with a strong real estate market. The strong markets are places where people are willing to pay high sales prices or rents to be in certain locations. Despite the Bay Area’s overall market strength over the last 10 years, there are many parts of the region that have been passed over in the boom in development and real estate activity. These emerging markets are places where the expected returns from development may not be enough to stimulate development activity, either because of inflated land prices or the cost of infrastructure upgrades.

Transit is one factor that can make a location desirable, but it is only one factor of many, and usually not the most important fact that people consider. In fact, research shows if all other features are equal, the presence or absence of transit is not enough to necessarily create a strong real estate market. Neighborhoods in cities ranging from Los Angeles to Miami have experienced this problem. Yet while sales prices and rents can vary from place to place, construction costs and expected developer profits are more or less constant across any given city or region. This explains why a development project may be feasible in a strong market neighborhood, while the same project is infeasible in a market with an emerging real estate market.

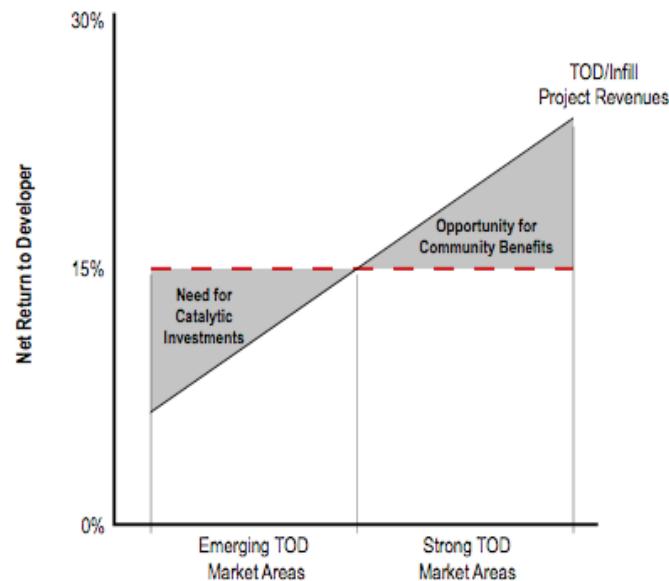
Figure 4 illustrates this principle. As the chart shows, a standard expectation for developer profit, after netting out all development costs, is about 15 percent.<sup>1</sup> This expected rate of return will largely hold constant not only in locations throughout the Bay Area, but also in other regions around the country, and developers in the Bay Area must compete with developers in other parts of the country for the same capital for development.

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<sup>1</sup> These costs include both the hard costs for construction materials and labor, and the soft costs of design, legal fees, and the interest owed to investors who put in capital up front



Figure 3: Real Estate Market Conditions and TOD Investment Needs



The stronger the real estate market, and the more profit a project can generate above this threshold, the more money a developer will be able to contribute back to community benefits, including basic infrastructure. But, in a big region with a wide variety of neighborhoods like the Bay Area, there are only a few neighborhoods where sales prices can exceed standard developer profit expectations. In most cases, the local jurisdiction contributes some type of subsidy to assist the developers. Without this subsidy to “prime the pump,” it can be very difficult to move markets along the continuum of market strength.

In both strong and emerging markets, there are often infrastructure needs, such as stormwater, utility, or street upgrades that impact the feasibility of individual projects. Financing for these needs are hard for developers to secure in a typical market, and may prove beyond the capabilities of local jurisdictions.

The differences between strong and emerging markets can also impact the effectiveness of different funding structures. In strong markets, there is more potential for funding for infrastructure or other purposes to be structured as a loan to be paid back over time while reducing up front costs to a developer. In emerging markets, funding in the form of grants may be more appropriate, since there is more uncertainty about the long-term return.

There is also a common situation where a local market may be strong for lower density development (e.g. single-family or townhomes), while higher density development is seen as too risky by the development community. In these situations, despite the hot market for some uses, some subsidy may be necessary to address this perceived risk. In these cases, it may be possible to structure funding as a loan in order to share in the potential benefits of these projects.

This discussion of the strength of markets is not intended to lead to the conclusion that only the emerging market areas within the San Francisco Bay Area should be targeted for subsidies. Rather, it is intended to illustrate that a direct financing program will have to work within the constraints of the real estate market and may need to play different roles in different market contexts. Table 4 below outlines some of the different considerations that go into different market contexts.

Table 4: Market Contexts and Role of Subsidy

	Strong Market Areas	Emerging Market Areas
Role of Subsidy	<ul style="list-style-type: none"> <li>➤ Grants to augment community benefits provided by project</li> <li>➤ Loans to reduce up front costs of infrastructure upgrades or other project costs</li> <li>➤ Support for major infrastructure upgrades that may be too significant for an individual project to finance</li> <li>➤ Make “risky” development types feasible with higher densities and/or greater environmental benefits</li> </ul>	<ul style="list-style-type: none"> <li>➤ Make projects financially feasible</li> <li>➤ Catalyze further development activity by expanding market and providing built examples</li> <li>➤ Support major infrastructure upgrades that may be too significant for an individual project to finance</li> <li>➤ Enable appropriate development at critical sites</li> </ul>

## THE ROLE OF COUNTY AND REGIONAL AGENCIES

County and regional agencies in the Bay Area have played an important role in encouraging TOD and infill projects that support regional goals and objectives. These goals, adopted in the FOCUS program, seek to advance the development of compact housing near transit that increases housing options and affordability. As this paper has already addressed, there are trends in demographics and greenhouse gases that TOD can help address.

County and regional agencies are uniquely equipped to take a broad view of development to link regional mobility benefits that connect jobs, housing, services, and entertainment destinations to maximize the efficiency of the regional transportation network. Specifically, the county and regional agency interest in TOD should include:

- Helping local jurisdictions and transit agencies take a long-term view of development opportunities around transit corridors, in particular minimizing “lost opportunities” and assisting in longer-term landbanking of key sites if current market dynamics won’t support higher density uses.
- Encouraging – and helping fund – transit-supportive aspects of a development that go above and beyond what the market will typically produce in a given area (e.g. higher densities, lower parking ratios).
- Providing “first in” funding for projects that can be “patient money” and allow local jurisdictions to leverage additional public and private financing.
- Helping local jurisdictions negotiate innovative parking management strategies with developers.
- Helping local jurisdictions develop inclusive community outreach processes and address equity issues such as gentrification and affordable housing.

### **Santa Rosa’s Downtown Station Area Specific Plan**

The city of Santa Rosa’s Downtown Station Area Specific Plan for the Sonoma Marin Area Rail Transit (SMART) was adopted in October 2007. Funded by an MTC Station Area Planning grant, the plan area encompasses 650 acres around the future station and creates the potential for over 3,400 new housing units.

In order to make the community’s vision a reality, over \$50 million in identified capital improvements have been identified to date, including:

- improving local roadway connectivity,
- adding parks for new residents, upgrading essential utilities,
- improving bicycle and pedestrian infrastructure,
- and possible development of a shared-use, managed parking garage.

Based on the financial analysis conducted in 2006, there are large-scale, up-front improvements which the city cannot fund through current (or future) fees structures, tax increment financing, or bonding, while private capital is not going to be able to cover these costs—especially given the near-term real estate market.

## **REVISED TLC PROGRAM GOALS<sup>2</sup>**

The regional agency interests in TOD outlined above should be reflected in MTC’s programs and policies. This suggests a revision of the TLC Program Goals to respond to the regional imperatives for increased TOD and infill. Specifically, an expanded TLC Program must support the development of livable communities that will:

- Improve the affordability of the region by allowing residents to own fewer autos and spend less on transportation.
- Reduce greenhouse gas emissions from both housing and transportation.
- Respond to the region’s changing demographics by building the types of communities that will meet the needs of current and future residents.
- Encourage walking, bicycling, and transit by making these modes of travel safe, attractive, and convenient.

<sup>2</sup> These goals are also listed together with a set of program objectives in Appendix A.

## 2 Case Studies of TOD Financing Programs

### OVERVIEW OF TOD FINANCING PROGRAMS

Other than the traditional private real estate market investment mechanisms, there are several ways that financing for TOD and infill projects are made and several different types of actors that make these investments, including:

- Transit agencies, through Joint Development of publicly held land, leverage direct investment in TOD for increases in ridership or revenue;
- Local governments, through TIF or other public investments, shape finance investments that meet economic development and affordability goals;
- Non-profit community investment or revitalization funds create incentives for investments in previously underserved areas to create lasting neighborhood revitalization; and
- Metropolitan Planning Organizations invest in development projects that shape regional land use and transportation patterns.

Because of the divergence in process and outcomes among these different potential actors, this paper focuses on the existing programs of other MPOs around the country, but also offers some findings and considerations with respect to the other types of programs.

### MPO FINANCING PROGRAMS

The first stage of the case study research was to outline some of the key decisions points for the MTC in starting a TOD Implementation funding stream. To address these decision points we identified case study programs and agencies that would provide some differing vantage points. Based on the experience of the Bay Area with the TLC Program, many MPOs (including those in Atlanta, Los Angeles, and Washington, DC) now offer similar types of programs in some form or another. However, only three finance some for of direct investment in TOD or infill projects: Metro in Portland, Oregon, the Metropolitan Council, in the Twin Cities of Minnesota, and North Central Texas Council of Governments (NCTCOG) in Dallas-Fort Worth, Texas. For each case study we have conducted background research and interviews with project managers in order to inform the decision-making process by the Commission. The following provides some more detail on each program. More detailed information on each is included as Appendix B.

### **Portland Metro's Transit Oriented Development and Centers Program (Portland, OR)**

This grant program is available to developers for elements of construction projects (such as increased density or structured parking) that may not be feasible in the development market currently due to location or infrastructure costs. The program uses long-term easements on projects to ensure accountability for the grant funds. Funding is currently at about \$4 million/year, but this has not been enough to keep up with demand. Federal transportation funds have been swapped with local funds to increase the flexibility of the program. The average grant per project is approximately \$300K, but Metro is planning to expand the funding to make larger grants available. Metro has also acquired land through the program for landbanking and project implementation purposes.

### **The Metropolitan Council's Livable Communities Demonstration Account (LCDA) (Minneapolis-St. Paul, MN)**

This LCDA is available to local jurisdictions applying on behalf of developers for infrastructure upgrades, transportation improvements (including parking structures), and land assembly. Funding recommendations are made by an Advisory Committee composed of a broad cross-section of stakeholders from around the region. The Advisory Committee rates projects on criteria including land use, innovation, and project readiness and makes recommendations to the Met Council. The program uses funding from a regional tax levy that must be renewed every year, but has thus far been extremely popular. Funding is currently \$8 million/year. While there is no cap on individual project funding, the largest grant to date has been \$2.5 million, and a cap of 40% of any year's funding can be used within Minneapolis and St. Paul. Many projects that receive funding also apply and receive funding in subsequent years.

### **The North Central Texas Council of Governments (NCTCOG) Sustainable Development Funding Program (Dallas-Fort Worth, TX)**

This funding program is available to local jurisdictions with separate funding streams for infrastructure, land banking, and planning. \$40 million in funding for the Sustainable Development program came from local infrastructure funds "swapped" with Federal transportation funds (CMAQ and STP-MM). Around \$8 million (no more than 20% of the total) was allocated for landbanking projects. Local jurisdictions must apply with public-private partnerships already in place. Developers work with cities to prepare applications. Some of the larger jurisdictions do their own "call" for projects and prioritize them based on local goals. For most projects, and especially landbanking projects, the individual project requests have been larger than NCTCOG can fund. Funds not expended—or without a Notice to Proceed—within a certain time frame must be returned to NCTCOG and are then redistributed to other projects. For the landbanking program, cities are required to pay back the entire principal funding amount, regardless of the success or failure of the development. This means cities can participate in the "upside" of development, but are also required to bear some of the risk.





*Uptown Project, Oakland  
Photo: Reconnecting America*

## CASE STUDY LESSONS LEARNED

The case studies provide interesting examples and precedents for MTC to consider in the creation of a direct investment program for TOD and infill. The following lessons can be gathered from the case studies.

- Portland METRO and the Met Council in the Twin Cities both have successful and popular model programs that address TOD and infill funding needs in different ways. Both incorporate involvement from a broad base of stakeholders coupled with professional expertise in evaluation of grant proposals.
- NCTCOG has a program that has been less successful in achieving results related to development projects, but is more narrowly focused on landbanking.
- In Portland, the direct investment programs is used to accelerate the market for TOD and infill development in areas that are not yet seeing market interest. However, the retail market in some areas has lagged behind the residential market so there has been a need to subsidize some neighborhood serving commercial space in the short term.
- The Met Council program demonstrates that writing down the cost of infrastructure and land assembly in dense, mixed-use development can improve the feasibility of projects.



- The three programs have varying degrees of locational requirements. In the Met Council case, the lack of geographic focus can mean that funding ends up going to projects in areas that are not the highest priority for TOD and infill from a regional perspective. The Met Council program also limits the amount that can go to projects within the core cities of Minneapolis and St. Paul in any cycle. Portland Metro and NCTCOG do not place the same kinds of conditions, but do target funds to transit corridors or infill areas within the region.
- MPO-led programs tend to be guided by regional goals, rather than some of the fiscal constraints that drive transit agencies in their Joint Development decision-making.
- Federal funding can severely constrain the flexibility of funds. Most MPO programs, including all three of the case studies, either use local funds or swap federal funds for local funds. The Met Council uses entirely state funding sources for the LCDA.
- Programs can be successful operating either by funding projects through cities or providing funds directly to developers, but programs are most effective when the timing and uses of funds match with the needs of the development process.
- The NCTCOG program requires the repayment of principal, but both the Met Council and METRO programs operate as grants. Many community development funds operate as revolving loan funds or offer capital at a reduced cost for development that meets neighborhood objectives in order to provide a self-sustaining fund and even grow the pool of money available by making smart investments.

### 3 Program Options for an Expanded TLC Program

Given the regional needs and the experience of other regional TOD and infill investment programs, there are several options to create such a program in the Bay Area. MTC's evaluation of the current TLC Program has highlighted the need for increased funding and a flexible grant cycle, but has not yet explored the options for establishing an expanded program. This expanded program should meet regional and local needs, and be accountable for achieving regional goals and objectives.

#### **TOD FINANCING PROGRAM OBJECTIVES**

In addition to the revised TLC program goals outlined earlier, this White Paper has used a set of program objectives to provide a framework for understanding different approaches to establishing an expanded TLC Program. Specifically, this White Paper has identified programs options intended to support well-designed housing and mixed-use developments that:

1. Are within walking distance of a variety of shops, employment and services;
2. Will produce fewer vehicle trips and vehicle miles-traveled;
3. Will increase current or future transit ridership;
4. Incorporate innovative parking management strategies including car-sharing;
5. Minimize the environmental footprint;
6. Exceed standards for affordability and ADA access; and
7. Enjoy local support due to a prior collaborative and inclusive planning process.

The program goals and objectives are included at the conclusion of this White Paper as Appendix A and these program objectives are also used to review potential program evaluation approaches and metrics in Appendix C.

#### **POTENTIAL PROGRAM OPTIONS**

Based on the understanding of the case studies and taking into account the program structure in place with the current TLC program, there are a number of possible approaches to a direct investment program. These approaches may require different funding levels and may be best served by alternative funding sources and structures (such as grants vs.

loans). However, at this stage, all five approaches are viable. A successful program will likely include some or all of these options, and all options will be strengthened by collaboration among regional agencies (including MTC, ABAG, and transit agencies), local land use and development agencies, and private developers.

The five basic approaches, outlined in more detail in the table below, are:

### **1. Capital Improvements Adjacent to Transit Stations and TODs**

By expanding the existing TLC Program to fund improvements associated with individual developments, MTC could provide funding for off-site or adjacent capital improvements such as streetscapes, bicycle and pedestrian facilities, transit station access routes that are often necessary to maximize the impact of TOD and infill. Often these improvements are required by local jurisdictions, but are difficult to finance through traditional means. This program would also be consistent with potential uses of Federal transportation funds. This program could also fund public infrastructure improvements (including new streets, sewers, and utilities) necessary to facilitate development in underutilized areas around transit stations. The scale of this program is low to moderate in terms of both the scale of investment and the impact on TOD.

### **2. Parking Management Strategies**

MTC could provide financing for implementation of, demand management tools (such as carsharing and resident/employee transit passes), or neighborhood parking garages that could allow development to proceed with lower parking ratios elsewhere in the community and/or could provide replacement parking for parking lost through Joint Development of surface parking lots. This approach supports the emergence of vital, transit-oriented communities while at the same time removing what is often a barrier to TOD and infill developments. Such a program could be used to augment existing Redevelopment Agency funding sources where appropriate. MTC's "Reforming Parking Policies to Support Smart Growth" already outlines the types of strategies and appropriate locations. Depending on the appropriate tools and strategies, the scale of both cost and impact of this approach can vary from low to moderate.

### **3. Direct Financing of TOD and Infill**

Expanding beyond the public benefits of capital improvements and neighborhood parking, MTC could provide funding for development. This program would be similar to the Portland Metro and Met Council LCDA programs in providing funding for a portion of the development that might otherwise be challenging to finance. The LCDA funding is limited to transportation and infrastructure uses (i.e. not for the residential or retail portions of the development), while the Portland program is intended to pay for the additional costs of building elements such as increased fire separation necessary with denser building types that might not otherwise be feasible in the market. Depending on the funding source and the program goals, MTC might need to restrict some of the eligible uses in this program as well. While the costs associated with this program option are moderate to high, they can generate a similar impact in terms of TOD implementation.

#### 4. Land Acquisition and Site Assembly

MTC could meet a current gap in regional TOD and infill financing by supporting the assembly and entitlement of development projects. This program would be most effective for larger-scale revitalization efforts with the medium-term horizon (5-10 years) that is often necessary to acquire and entitle land. In this program, MTC could work with developers or with local governments and provide incentives for more rapid entitlement of development projects that meet regional goals. All three of the MPO programs surveyed are involved in site acquisition in some way. The Met Council LCDA program funds land acquisition by developers through cities incentive to participate in regional affordable housing allocations. Portland Metro takes a more proactive role in land acquisition and landbanking. NCTCOG requires public-private partnerships to be in place prior to releasing funds, and cities must participate in the risk since land acquisition funds must be repaid. This program could be used to create a program that is self-sustaining in the long-term by providing returns on medium-term investments, as the NCTCOG program is intended to do. The scale of cost for this program would be moderate to high, given the need for somewhat more patient capital. Because of this scale, MTC would need to work closely with ABAG, transit agencies, redevelopment agencies, and city staff to make appropriate investments. With this collaboration, the potential impact of a site acquisition and landbanking program would be high.

#### 5. Affordability and Accessibility Investments

Providing affordable and/or accessible housing units over and above the requirements of local codes and the Americans with Disabilities Act (ADA) is often an added cost for developers. This program could pay for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities). MTC could provide funding directly to developers who agreed to make more units income-restricted and/or fully accessible. This program could also support streetscape and capital improvements to provide accessible transit where it does not currently exist. While there are not case study examples directly applicable, Charlotte, North Carolina's Affordable Housing Trust Fund provides funding for income-restricted units in market-rate developments through a competitive application process. California Redevelopment Agencies already finance a significant amount of affordable housing, since 20% of TIF revenues must be put toward affordable housing by law. However, many TOD and infill opportunity areas in the Bay Area do not fall within redevelopment areas, and redevelopment funds rarely provide for accessibility upgrades in projects. Where appropriate, funding in this program option could also be used to deepen the level of housing affordability by augmenting existing Redevelopment Agency funding. This program would also require especially close collaboration with ABAG, redevelopment agencies, and local jurisdictions to implement and complement local affordability and accessibility goals. The cost of this program would be moderate to high. However, due to the costs associated with these uses, the likely impact of funding would be more moderate in comparison to other uses.

Table 5: Program Options Comparison Table

Use of Funds	1. Capital Improvements Adjacent to TOD	2. Parking Management Strategies	3. Direct Financing of TOD and Infill Projects	4. Land Assembly and Site Acquisition	5. Affordability and Accessibility
<b>Description</b>	Funding for off-site or adjacent capital improvements (such as streetscapes, bicycle and pedestrian facilities, transit station access routes) and/or public utility and infrastructure upgrades (such as storm water, sewer, or gas/electric).	Financing for neighborhood parking strategies (e.g. carsharing or transit passes) that would allow for development to proceed with lower parking requirements elsewhere in the community or could provide replacement parking for parking lost through Joint Development.	Funding for infrastructure-related portions of a development (e.g. storm water, sewer, or utility upgrades) or financing of costs as a result of density increases.	Financing for land assembly and entitlement of development projects with medium-term horizon (5-10 years).	Paying for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities)
<b>Funding Approach</b>	➤ Grant to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant to local jurisdiction (and/or developer)
<b>Case Study Examples</b>	➤ MTC TLC Program ➤ Met Council LCDA	➤ Met Council LCDA ➤ Redevelopment Agencies	➤ Portland METRO ➤ Met Council LCDA	➤ NCTCOG Landbanking Program ➤ Met Council LCDA	➤ Redevelopment Agencies ➤ State programs (HCD)
<b>Potential Benefits</b>	➤ Similar to existing TLC program, but expanded to allow funds to be used on non-transportation infrastructure ➤ Helps “seed” TOD in older areas with infrastructure constraints	➤ Facilitates district-wide planning and implementation by creating shared pool of parking and managing it efficiently.	➤ Facilitates development by addressing added costs of developing in TOD and infill areas ➤ Helps projects that are almost feasible become feasible or increases development feasibility at critical TOD sites	➤ Prevents non-TOD development on key sites ➤ Reduces holding costs for site acquisition and assembly ➤ Can be used to encourage timely entitlement of projects	➤ Increases production of affordable and accessible units.
<b>Potential Questions</b>	➤ Is expanded TLC program sufficient to meet regional needs? ➤ Will funding be sufficient to address local needs?	➤ How do you ensure projects meet goals? ➤ Should parking be required to provide return to MTC if priced and managed well?	➤ Are strict criteria/ review needed to maximize public benefit?	➤ Can this type of funding source be patient enough to see results?	➤ Better to pursue statewide approach? ➤ Are there other funding sources for this purpose?
<b>Program Scale</b>	➤ Low to moderate cost ➤ Low to moderate impact	➤ Low to moderate cost ➤ Low to moderate impact	➤ Moderate to high cost ➤ Moderate to high impact	➤ Moderate to high cost ➤ High impact	➤ Moderate to high cost ➤ Moderate impact

## PROGRAM APPROACH RECOMMENDATIONS

The regional funding needs and the case study programs provide enough understanding to provide some recommendations about potential program approaches that would be appropriate for the Bay Area. The following are initial recommendations for the structure of a TOD Financing program.

### A. Funding Structure

There are benefits to both grant and loan structures for a TOD financing program. Grants are simpler and easier to administer, but require ongoing allocations of funding. A loan fund can be self-sustaining but requires more overhead for administration. Existing MPO programs are set up as both grants and loans. If Federal funds are used for the program, once funds are put out as loans, restrictions on usage are often removed when issued for a second time. Federal funding provides an important source of capital for the program—and is the source of the current TLC program—but also limits flexibility of funding

### Recommendations

- A.1) Create a hybrid program structure with grants and loans. Grant funds may be more appropriate for some fund uses, such as affordable housing, or major infrastructure upgrades. Loan funds may be more appropriate for other uses, including land acquisition and parking management strategies.
- A.2) Create flexibility in funding uses. Federal funds carry substantial restrictions that limit the potential program options outlined above. MTC should work with local jurisdictions to identify creative ways to “swap” local infrastructure and transportation funds, which are usually more flexible, for federal funds. In the long term, identifying regional funding sources, as has been done in the Twin Cities, can help reduce the need to use Federal funds at all.
- A.3) Loan funds should have clearly defined requirements. Funds used for parking management strategies should require pricing to be part of the menu of strategies. Funds for land acquisition should require repayment of principal and potentially some sharing of profit or use of profit for affordable housing or other goals. An important benefit of loan funds is the long-term financial self-sufficiency of the program.

### B. Metrics and Evaluation

A regional TOD financing program will require clear evaluation metrics and a transparent funding allocation process. There are many potential evaluation metrics that can link potential projects to local and regional goals and measurable outcomes (an initial discussion of potential metrics is included as Appendix C). Other regions use a variety of approaches in evaluating potential projects. The Met Council LCDA uses an Advisory Committee composed of a broad range of stakeholders, including community members, local agency staff, architects and designers, and policymakers to evaluate projects and make recommendations for funding. This approach has helped build the credibility of the program.



## Recommendations

- B.1) Use an evaluation methodology that includes minimum thresholds as well as more detailed evaluation of outcomes. MTC has already established some baseline criteria through the Place Types in the Station Area Planning Manual and “Reforming Parking Policies to Support Smart Growth”. Other regional and state agencies (including BAAQMD and the State Housing and Community Development Department) have more detailed metrics for evaluating potential projects for funding. MTC can build from these existing metrics for a TOD financing program.
- B.2) Create a transparent evaluation system that involves stakeholders in the evaluation process. The additional level of investment that a TOD financing program would represent would benefit from an additional level of involvement in application evaluation from a range of stakeholders. This approach also reinforces the regional nature of the program without the need for targeted funding to geographic areas.
- B.3) Clearly define the types of activities that are eligible for funding and work with local jurisdictions through the application process to maximize project potential. Market conditions may factor into the eligibility of certain types of uses or funding structures. It is challenging to define when a project would not have otherwise been built except for the availability of regional funds, but at the same time, funding should be targeted to those projects that can clearly demonstrate need.

## C. Allocation of Funds

In establishing a TOD financing program, there are important decisions to be made about how funding will be allocated. These decisions include the geographic allocation, the size of individual project allocations, and the funding cycle. The existing TLC Program has already established many of these criteria. The other MPO programs provide lessons that are instructive as the TLC Program is expanded to include TOD financing.

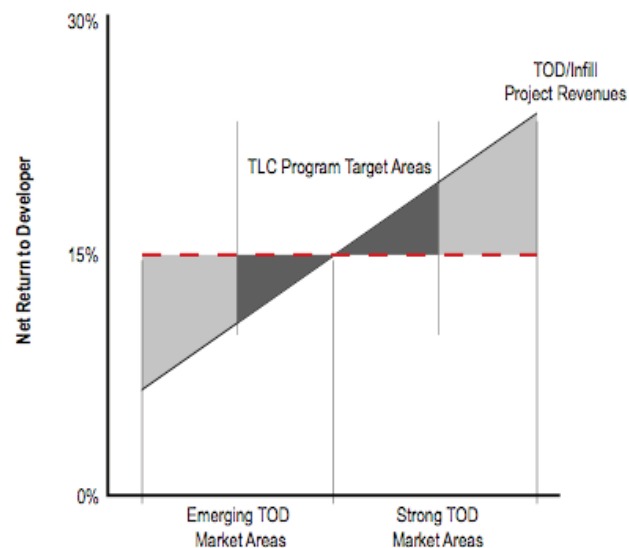
## Recommendations

- C.1) Cap individual project awards around \$7.5 million, but allow projects to return in multiple years. Some cap is appropriate in order to spread project funding throughout the region. Additionally, articulating a cap explicitly will encourage only those projects that really need funding to come forward. While \$7.5 million is a recommended starting point for the cap, the cap should be flexible and set based on funding availability and goals.
- C.2) Target places, and not projects. Funding for TOD and infill should support a broader community investment strategy, rather than one-off projects. Funding should reward the communities that have developed coherent community visions, either through MTC’s Station Area Planning Grant program or through other means.
- C.3) Do not cap funds for geographic areas. The TOD financing program will be most effective when there are clear regional goals for which projects from around the region compete. The program should recognize that there will not be the same types

of projects or outcomes in all parts of region and should be responsive to outcomes that maximize the potential of their particular location, while also helping to achieve regional goals. However, the allocations for any geographic subarea should not be capped artificially.

- C.4) Target funds toward the most cost-effective locations. As described earlier, there are a range of market contexts in the Bay Area, from emerging to strong. This relative market strength conditions the effectiveness of financing for TOD and infill. At the low end of the scale, there may be so much subsidy required that even a large outlay by MTC will fail to catalyze the market. At the high end of the scale, the provision of community benefits may be so costly to MTC that the benefits associated with funding are minimal. Figure 5 shows this in diagrammatic form to identify the target range for MTC funding.

Figure 4: Target Funding Areas



- C.5) Continue to implement a regular funding cycle that allows for flexibility to respond to project needs. The TLC Program already has a regular biennial funding cycle. A TOD financing program will be best served by a similar regular cycle for allocating funding. However, the development cycle would benefit from more frequent funding allocations, ideally annually or even semi-annually. Certainty about when funding will be available will make the program more attractive to the development community. The program should retain some flexibility, whether in the funding cycle or in the evaluation criteria to continue to respond to changing regional needs.

# Appendix: TLC Program Goals and Objectives **A**

This White Paper has outlined revised goals for the TLC Program and objectives for the financing of TOD and infill.

## **REVISED TLC PROGRAM GOALS**

An expanded TLC Program must support the development of livable communities that will:

- Improve the affordability of the region by allowing residents to own fewer autos and spend less on transportation.
- Reduce greenhouse gas emissions from both housing and transportation.
- Respond to the region's changing demographics by building the types of communities that will meet the needs of current and future residents.
- Encourage walking, bicycling, and transit by making these modes of travel safe, attractive, and convenient.

## **TOD FINANCING PROGRAM OBJECTIVES**

Support well-designed housing and mixed-use developments that:

1. Are within walking distance of a variety of shops, employment and services;
2. Will produce fewer vehicle trips and vehicle miles-traveled;
3. Will increase current or future transit ridership;
4. Incorporate innovative parking management strategies including car-sharing;
5. Minimize the environmental footprint;
6. Exceed standards for affordability and ADA access; and
7. Enjoy local support due to a prior collaborative and inclusive planning process.

## B Appendix: Detailed Case Studies

Each case study follows a similar format to highlight some of the key program similarities and differences and the implications for MTC if elements of these programs are selected for implementation in the Bay Area. These include:

- Program objective and stated goals;
- Program funding source;
- Funding allocation process;
- Typical grant size;
- Program strengths and weaknesses

The key elements of each program are described in the following table.

**Comparison of Case Study Programs**

Program	1. Metro Transit Oriented Development and Centers (Portland, OR)	2. Met Council Livable Communities Demonstration Account (Twin Cities, MN)	3. NCTCOG Sustainable Development Landbanking Program (Dallas-Fort Worth, TX)
Overview	Grant program available to developers for construction of projects, coupled with long-term easements to ensure compliance.	Grant program to local jurisdiction for development. Originally included both planning and capital grants. Planning grants eliminated several years ago.	No-interest loan program for landbanking only. The Sustainable Development Funding Program also includes funds for pedestrian, bicycle, and transit improvements and planning.
Objective	Create demonstration projects that exemplify the region's goal to "grow up, not out."	Support for demonstration projects to achieve "connected, efficient land-use patterns in communities throughout the region."	Encourage public/private partnerships that positively address existing transportation system capacity, rail access, air quality concerns, and/or mixed land uses.
Program Funding Source and Level	Metropolitan Transportation Improvement Program (MTIP) Regional Flexible Funds exchanged with local funds. Other funding sources to date have included CMAQ, direct FTA funds and earmarks, local government funds and interest earned.  Funding is currently \$4 million/year.	The LCDA funds come from the Metropolitan Council's regional tax levy, which the Council must renew each year.  Funding is currently \$8 million/year	Funds for the program come from local infrastructure funds "swapped" for Federal CMAQ and STP-MM funds, but will come from toll revenue through the North Texas Toll Authority in the future. There may be some restrictions on the use of toll revenues that limit flexibility, but the funding will be easier to disburse due to fewer contracting restrictions.  Landbanking restricted to no more than \$8.1 million (20% of total funding pool of \$40.6 million program) for 4-year cycle.

Program	1. Metro Transit Oriented Development and Centers (Portland, OR)	2. Met Council Livable Communities Demonstration Account (Twin Cities, MN)	3. NCTCOG Sustainable Development Landbanking Program (Dallas-Fort Worth, TX)
Typical Project Funding Level	Approx. \$300K. per grant. Grant funds do not require funding recovery.	No cap on funds to individual projects, but max. grant has been \$2.5 million. Grant funds do not require funding recovery.  Projects can ask for funding in multiple years.  A cap of 40% of the funds can go to grants in Minneapolis and St. Paul.	Projects awarded up to \$1 million each. Awards require repayment of principal. Cities keep profit (or pay loss, in that event).
Funding Allocation Process	Metro staff reviews applications and meets with applicants.  Input provided by Transportation Policy Alternatives Committee (15 members are staff from governments around the region and 6 citizen representatives appointed for two-year terms).  Projects evaluated on potential increase in ridership, value of land and the difference between low and high density development via a mechanism they have coined Cost Premiums	Cities apply on behalf of developers.  A volunteer Livable Communities Advisory Committee composed of a broad cross-section of stakeholders, including community members, local agency staff, architects, and policymakers evaluates proposals and recommends funding awards.  Projects are rated on several criteria, including land use and planning process, innovation or demonstration, funding as a catalyst, and criteria for project readiness.	Cities apply for funding and staff make recommendations for funding allocations. Landbanking applications require an interview process with a standardized set of questions.
Program Strengths	<ul style="list-style-type: none"> <li>➤ Simple process makes funding attractive to developers.</li> <li>➤ Wide political support for program and Metro is looking to expand scale of program.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Funding is flexible and has been popular and competitive.</li> <li>➤ Funding is an incentive to reach other regional goals (allocation of affordable housing).</li> <li>➤ Advisory Committee structure useful.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Provides funding for land acquisition while allowing cities to benefit from profitable ventures.</li> <li>➤ Requires 20% minimum local match.</li> </ul>
Program Weaknesses	<ul style="list-style-type: none"> <li>➤ Not enough funding; would be more effective to be able to fund at higher levels.</li> <li>➤ Individual projects have had limited impact on surrounding areas and have not leveraged substantial additional development.</li> </ul>	<ul style="list-style-type: none"> <li>➤ LCDA does not target specific geographic areas, so impact of funding is diffuse.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Funding requests vastly outstrip program resources</li> <li>➤ City/NCTCOG/Developer relationship difficult for staff to manage.</li> <li>➤ Does not place conditions on use of profits from fund use (i.e. proceeds must be use for mixed-income housing)</li> <li>➤ Staff feels program has not been successful, and will not recommend a next round of funding.</li> </ul>

## C Appendix: Options for Evaluating an Expanded TLC Program

### PROGRAM EVALUATION FRAMEWORK AND METRICS

Any program for direct investment in transit-oriented development projects will need to demonstrate the effectiveness of the funding. The goals and objectives for an expanded TLC Program, outlined in this White Paper form a framework for the types of performance measures that will be important to capture in evaluating potential investments. This section outlines potential evaluation metrics for each of the program objectives (outlined in the White Paper and in Appendix A). These objectives form the framework for evaluating potential projects and investments. For each objective, this White Paper identifies potential metrics with respect to the evaluation process.

These are not a final set proposed metrics, but an evaluation of potential metrics to ensure that the objectives can be measures. Final decisions about the evaluation metrics and the data required to be supplied and collected should be made as decisions are made on the program structure, since the use of certain metrics may be more appropriate for different potential program funding uses.

### KEY CONSIDERATIONS

There are several overarching considerations important to understand the various approaches potential approaches to program evaluation. These considerations will help determine which metrics will be most applicable to an expanded TLC Program.

- **Thresholds vs. evaluative metrics.** Some metrics will be thresholds that are either met or not (such as the Place Type density thresholds in the MTC Station Area Planning Manual), while others will require a comparison of the relative merits of one project against another. The tradeoffs between thresholds and evaluative metrics result in different levels of comparison among potential uses of funds.
- **Qualitative vs. quantitative metrics.** Some metrics will involve evaluation of the qualities and characteristics of a project, while others will involve the evaluation of data and performance measures. The tradeoffs between qualitative and quantitative metrics result in different levels time and energy expended by MTC staff in reviewing proposed projects, and impact the attractiveness of the program to developers.
- **Simple vs. modeled metrics.** Some quantitative metrics will require only simple and transparent calculations, while other will require more complex, and potentially proprietary evaluation models. The tradeoff between simple and modeled metrics results in different levels of transparency in the evaluation process and the relative ease of complying with the grant program.



## POTENTIAL EVALUATION METRICS

1. Within walking distance of a variety of shops, employment, and services			
Metric	Purpose	Calculation	Considerations
Transportation Choice	Demonstrate the proximity of a development to a variety of shops, employment, and services	Compatible uses within 1/2-mile of development site.  <i>Sources: USGBC's LEED Rating System</i>	<ul style="list-style-type: none"> <li>➤ Challenging to compare the quality of walking access.</li> <li>➤ Need to determine appropriate variety of different uses.</li> <li>➤ Still need to ensure positive land use compatibility</li> </ul>
2. Produce fewer vehicle trips and vehicle miles-traveled			
Metric	Purpose	Calculation	Considerations
Neighborhood-level VMT reduction	Demonstrate the GHG reduction for the entire community from the project funded.	VMT reductions can be calculated based on residential density and transit access.  <i>Sources: BAAQMD TFCA Grants, Urbemis modeling by Nelson\Nygaard and Jones &amp; Stokes</i>	<ul style="list-style-type: none"> <li>➤ Challenging to compare between residential investments and transportation investments.</li> <li>➤ Calculations may require fairly complex formulas to be calibrated to different parts of the region.</li> <li>➤ Addressing issues of mixed densities and overall community benefits beyond "the project" will be a challenge.</li> </ul>
Neighborhood-level VMT reduction	Demonstrate the pro rata share of GHG reduction in a neighborhood (or station area) based on an approved plan.	VMT reductions at the neighborhood scale can be calculated based on residential density, mix of uses, and transit access.  <i>Sources: Center for Neighborhood Technology Housing + Transportation Model, Neighborhood GHG audits</i>	<ul style="list-style-type: none"> <li>➤ Requires approved plan to be completed that assesses GHG reduction, which has not been not the norm.</li> <li>➤ Easier to compare across development and transportation investments.</li> <li>➤ Could provide implementation funding for MTC's Station Area Grant program.</li> </ul>
3. Increase current or future transit ridership			
Metric	Purpose	Calculation	Considerations
Improved transit ridership	Demonstrate the increased ridership and revenue to transit providers.	Calculate transit ridership improvements of individual development projects or access improvements.  <i>Source: Direct Ridership Model by Fehr &amp; Peers</i>	<ul style="list-style-type: none"> <li>➤ The Direct Ridership Model allows comparison of development investments with transportation improvements such as parking or improved accessibility.</li> <li>➤ Can help place individual improvements within neighborhood-scale plan.</li> <li>➤ May be redundant with VMT reduction criteria above.</li> </ul>

#### 4. Incorporate innovative parking strategies including car-sharing

Metric	Purpose	Calculation	Considerations
Reduced parking	Demonstrate the reduction in off-street parking for transit-oriented development to reduce automobile travel.	Auto ownership reduction relative to neighborhood (can be used to show VMT reduction as well.  <i>Sources: BATS data, US Census, Center for Neighborhood Technology Housing + Transportation Model</i>	<ul style="list-style-type: none"> <li>➤ Could encourage entitlement of reduced parking developments.</li> <li>➤ Could reduce housing cost as ancillary benefit.</li> </ul>

#### 5. Minimize the environmental footprint

Metric	Purpose	Calculation	Considerations
Optimized neighborhood densities	Demonstrate that the project maximizes the development potential of the site in keeping with the surrounding community and transit capacity	Meet or exceed the density ranges defined for appropriate "Place Types" in the MTC Station Area Planning Manual.  <i>Sources: MTC</i>	<ul style="list-style-type: none"> <li>➤ Requires identifying appropriate place type.</li> </ul>
Sustainability	Demonstrate the reduced energy and resource consumption through the use of green building techniques.	Calculate GHG emissions and resource use reductions from green building practices and energy efficiency measures.  <i>Source: Building energy use models</i>	<ul style="list-style-type: none"> <li>➤ Established calculations can be adapted for use.</li> <li>➤ These features can be up front cost premiums in development that are paid back over time.</li> </ul>

#### 6. Exceed standards of affordability and ADA access

Metric	Purpose	Calculation	Considerations
Expanded housing options	Demonstrate improved transportation options for all households through mixed-income development.	Household housing and transportation cost savings can be calculated based on improved transit access provided through affordable housing near transit and access to nearby services/amenities.  <i>Source: Center for Neighborhood Technology Housing + Transportation Model</i>	<ul style="list-style-type: none"> <li>➤ Hard to compare between residential investments and transportation investments.</li> <li>➤ Calculations may require complex formulas to be calibrated to different parts of the region.</li> </ul>
Expanded transportation options	Demonstrate improvements in transportation access for all households through universal access improvements.	Household transportation costs savings and ridership benefits can be calculated based on improvements to the accessibility of transit.  <i>Source: Direct Ridership Model by Fehr &amp; Peers</i>	<ul style="list-style-type: none"> <li>➤ May be better suited to qualitative assessment.</li> <li>➤ Can allow comparison between development projects and transportation infrastructure projects.</li> </ul>

#### 7. Enjoy local support due to a prior collaborative and inclusive planning process

Metric	Purpose	Calculation	Considerations
Project readiness	Encourage short-term impact and accelerated entitlement process.	Projects that have received various levels of entitlements or where the local jurisdiction has agreed to expedited review receive preference.  <i>Source: HCD Infill Infrastructure Grant Program</i>	<ul style="list-style-type: none"> <li>➤ Primarily qualitative assessment.</li> <li>➤ Potential tradeoffs between projects with short-term impact and long-term impact.</li> <li>➤ Ensure neighborhood planning process complete</li> </ul>



*Future Contra Costa Centre Transit Village Site, Pleasant Hill  
Photo: Contra Costa County*

